



Written Statement of  
**Len Higashi**  
Executive Director  
Hawaii Technology Development Corporation  
before the  
**Senate Committee On Ways and Means**  
Wednesday, February 15, 2023  
10:30 a.m.  
Conference Room 211 & Videoconference

In consideration of  
**SB302, SD1**  
**RELATING TO TAXATION.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) **supports** the intent of SB302, SD1 that temporarily reinstates the technology infrastructure renovation tax credit and expands the definition of "technology-enabled infrastructure" to include data servers.

HTDC supports initiatives aimed at growing tech and innovation jobs. As "cloud" software has become an essential part of every business, increasing the amount of technology infrastructure in Hawai'i helps to keep the funds and jobs in Hawai'i. HTDC defers to the department on the fiscal impacts of this measure.

Thank you for the opportunity to offer these comments.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 302, S.D. 1, Relating to Taxation

**BEFORE THE:**

Senate Committee on Ways and Means

**DATE:** Wednesday, February 15, 2023

**TIME:** 10:30 a.m.

**LOCATION:** State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 302, S.D. 1 for your consideration.

S.B. 302, S.D. 1 seeks to: (1) temporarily reinstate the technology infrastructure renovation tax credit; (2) add a definition for "data server"; and (3) amend the definition of "technology-enabled infrastructure" to include data servers. The measure has a defective effective date of January 1, 2050 with section 1 related to the tax credit applying to taxable years beginning after December 31, 2022.

The Department appreciates that the Committee on Labor and Technology accepted the Department's suggestion and amended section 235-110.51(h)(1), Hawaii Revised Statutes, in section 1 of the bill to avoid a conflict with the effective date in section 3 of the bill. The bill, as currently drafted, would not result in a conflict.

The Department will be able to implement this bill by the current effective date.

Thank you for the opportunity to provide comments on this measure.



February 15, 2023

**TESTIMONY IN SUPPORT OF SENATE BILL 302, SENATE DRAFT 1  
RELATING TO TAXATION**

Senate Committee on Ways and Means  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

Wednesday, February 15, 2023, 10:30 a.m.

Conference Room 211 & Videoconference  
State Capitol  
415 South Beretania Street

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee,

Thank you for this opportunity to offer our support for Senate Bill 302, Senate Draft 1 Relating to Taxation. My name is Richard Zheng President and CEO of Servpac.

As a locally owned company established in 2004, Servpac has evolved from a Hawaii telecommunications provider to an all-in-one cloud-based technology solution, offering high speed fiber internet, VoIP phones, cloud computing, data center colocation and managed IT services. We understand the unique challenges that Hawaii's businesses face and we provide customized solutions to keep them connected in a mission-critical world.

Data centers and fiber optic networks are driving forces that support the creation and growth of the high-tech sector in Hawaii. These facilities enable the creation of high paying jobs in the technology sector, thereby contributing to the diversification of Hawaii's economy.

The re-enactment of HRS section 235-110.51, the legislature by Act 221, SLH 2001, enacted a credit of 4% of the "high-technology" renovation costs incurred during the taxable year for a commercial building for costs incurred after December 31, 2000 but before January 1, 2006. Act 215, SLH 2004, extended the credit until December 31, 2010. This measure proposes to reestablish the technology infrastructure renovation tax credit for a finite time period beginning January 1, 2024 and ending December 31, 2025.



Over the last decade, Hawaii has adopted various tax incentives to encourage the development of high-technology businesses in the state. The focus on high-technology is commendable and recognized policy direction that state investments will yield sweat investments from within and outside Hawaii's environment.

Mahalo for allowing Servpac to share our perspectives on Senate Bill 302, Senate Draft 1.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Reinstatement Technology Infrastructure Renovation Tax Credit, include data servers

BILL NUMBER: SB 302 SD 1

INTRODUCED BY: Senate Committee on Labor and Technology

EXECUTIVE SUMMARY: Temporarily reinstates the nonrefundable technology infrastructure renovation tax credit. Expands the definition of "technology-enabled infrastructure" to include data servers.

SYNOPSIS: Amends section 235-110.51(h), HRS, to add language reinstating the credit for taxable years (1) beginning after December 31, 2010, and ending before December 31, 2023; or (2) beginning after December 31, 2025.

Amends section 235-110.51(i), HRS, to add "data servers" to the definition of "technology-enabled infrastructure" eligible for creditable renovation costs. Adds a definition of "data server" as "a computer system used to hold large amounts of electronic data and provide database management and access services to client computers on a computer network."

EFFECTIVE DATE: January 1, 2050.

STAFF COMMENTS: The legislature by Act 221, SLH 2001, enacted a credit of 4% of the "high tech" renovation costs incurred during the taxable year for a commercial building for costs incurred after December 31, 2000, but before January 1, 2006. Act 215, SLH 2004, extended the credit until December 31, 2010. This measure proposes to reestablish the technology infrastructure renovation tax credit that expired on December 31, 2010.

Substantively, over the last decade, Hawaii has adopted various tax incentives to encourage the development of high technology businesses in the state. The acts provided investment and research credits as well as income exclusions providing tax relief to high tech businesses and individuals associated with high tech businesses. While the focus on high technology in the last few years is commendable, it fails to recognize that investments are made with the prospect that the venture will yield a profit. If the prospects for making a profit are absent, no amount of tax credits will attract investment from outside Hawaii's capital short environment. People do not invest to lose money. It should be remembered that until Hawaii's high cost of living can be addressed, all the tax incentives in the world will not make a difference in attracting new investment to Hawaii. The only attractive aspect for resident investors to plow money into such activities is the fact that the credit provides a way to avoid paying state taxes.

Digested: 2/12/2023



**LATE**

**Testimony to the Senate Committee on Ways and Means  
Wednesday, February 15, 2023, at 10:30am  
Conference Room 211 & Videoconference**

**RE: SB 302 SD1 Relating to Taxation**

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

The Chamber of Commerce Hawaii ("The Chamber") **supports SB 302 HD1**, which temporarily reinstates the technology infrastructure renovation tax credit. Expands the definition of "technology-enabled infrastructure" to include data servers.

The Chamber supports the Technology Infrastructure Renovation Tax Credit and believes it is beneficial to the state of Hawaii. Through the proposed tax credit, businesses in Hawaii will be incentivized to invest in the renovation of their technology infrastructure, encouraging modernized and efficient operations.

Reinstating the tax credit will provide a much-needed boost to the economy of Hawaii. The technology infrastructure of businesses in the state is often outdated and in need of modernization. By offering a tax credit for businesses that update their technology infrastructure, the state can help to promote economic growth and create new jobs.

In addition, the proposed tax credit will help to make Hawaii more competitive on a global level. By encouraging businesses in the state to upgrade their technology infrastructure, the state can be better positioned to compete with other states and countries in the global economy.

Finally, the proposed tax credit will help to promote sustainability in Hawaii. Many businesses in the state rely on outdated technology infrastructure that is inefficient and not environmentally friendly. By offering a tax credit to businesses that invest in modernizing their technology infrastructure, the state can help to reduce its carbon footprint and promote sustainability.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Thank you for the opportunity to testify.